

# What Are . . . .

## 1099s

Vendor information for payments made via purchase card or convenience check are subject to IRS 1099-MISC Miscellaneous Income reporting. PCMS automatically issues the required 1099 tax reports at the end of the year by allowing easy identification of reportable transactions and automatic matching with Tax Identification Numbers (TINs) of reportable contractors/vendors and specific Budget Object Classification Codes (BOCCs). This system feature was approved by the IRS and is the first of its kind in the government. It saves agencies the cost of manually identifying and preparing 1099's.

## Tax Identification Numbers (TINs)

When purchasing services, the Federal Government must report to the vendor/contractor and IRS annual aggregate payments of \$600 or more made to certain contractors. The Form 1099 is completed by the National Finance Center (NFC) for this purpose and must include the TIN used by contractors/vendors in reporting income tax and other returns. To comply with the reporting requirement, cardholders must actively seek the TIN when making convenience check purchases and enter it into PCMS upon reconciliation of that purchase. Cardholders do not need to be concerned about purchases made with the purchase card because TINs are part of the electronic transmission of the purchase to the bank.

A TIN (as well as Employer Identification Number (EIN)) is the nine-digit number required by the IRS to be used by the contractor/vendor in reporting income tax and other returns. The number obtained should be the same number used by the contractor/vendor for reporting its income tax and other returns (FAR 4.901). For some small businesses the TIN might be a social security number (SSN).

## Budget Object Classification Codes (BOCCs)

This code defines the nature of the goods or services being obligated. It is imperative that cardholders select the appropriate BOCC when reconciling both purchase card and convenience check transactions.

## Local Agency Program Coordinator's Responsibilities

1. Agency representatives at the LAPC level or above should provide the following information to the NFC when a contractor notifies you that a 1099 was not received, or is incorrect:

- Correct dollar amount
- Vendor's or recipient's TIN or SSN
- Vendor's or recipient's complete mailing address
- Agency name
- Budget Object Class

Agency representative should sign, date, and fax this information to NFC, Mercedes Bardell's attention at (504) 255-5983.

2. Agency representatives at the LAPC level or above should also provide the following information to NFC when the agency representative has determined the entire 1099 was generated from PCMS and should not have been issued at all:

- Vendor's or recipient's TIN or SSN
- Vendor's or recipient's complete mailing address
- Agency name
- Budget Object Class

Agency representative should sign, date, and fax this information to NFC, Mercedes Bardell's attention at (504) 255-5983.

3. When the LAPC establishes a new cardholder in PCMS, the BOCC is stored with the cardholder's profile accounting. The BOCC should be based on the category that best represents the majority of purchases. Most cardholders use 2670 (Supplies and Materials General). This will minimize the need to change the BOCC on each transaction, as it is reconciled.

# PCMS QUICK GUIDE

## To Understanding The Relationship Between 1099s, Tax Identification Numbers (TINs), and Budget Object Classification Codes (BOCCs)



Originated: August 2001



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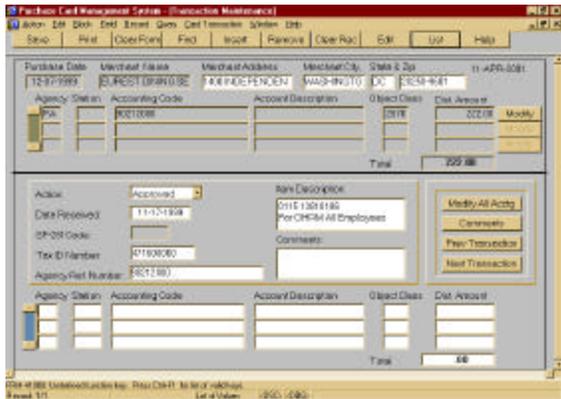


# Cardholder's Responsibilities

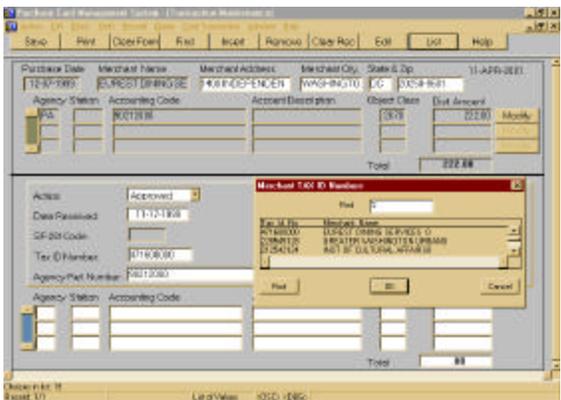
## 1. TIN

Cardholders authorized to use convenience checks are responsible for collecting vendor information when writing checks and entering it into PCMS upon reconciling each transaction.

The following is a properly reconciled convenience check with the TIN entered (refer to the TAX ID NUMBER field).



As new TINs are entered upon reconciliation, they are stored in PCMS and can be selected for use in the future by clicking on the dropdown list attached to the TAX ID NUMBER field.



## 2. BOCC

The Office of Management and Budget (OMB)

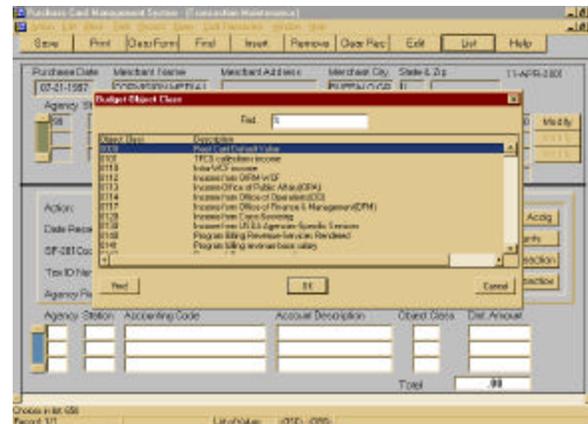
requires agencies to record its financial transactions according to the nature of the services provided or received when obligations are first incurred. OMB establishes the major object classification codes and titles for use by all Federal agencies. The National Finance Center (NFC) then assigns detailed sub-object classification codes– the BOCCs in which Cardholders must carefully select from when reconciling a transaction.

It is very important that the correct BOCC is selected in identifying a purchase to ensure accurate 1099 reporting. Only service BOCCs will generate 1099s.

For example:

- ◆ Supplies BOCC 2507 will not generate a 1099.
- ◆ Janitorial Services BOCC 2511 will generate a 1099.

For reconciling a transaction, a dropdown list of BOCCs for Cardholder's to select from, that define the nature of the purchase, is accessible by placing the cursor in the **OBJECT CLASS** field at the bottom of the screen and clicking on **[List]** at the top of the screen.



All valid BOCC are loaded in PCMS and are displayed in the dropdown list. In addition to PCMS, a complete listing of BOCCs is displayed at: <http://www.usda.gov/procurement/card/guide.html>.

This web site includes a listing of commonly used BOCC as shown below:

- 2670 SUPPLIES AND MATERIALS
- 2115 COMMON CARRIER -  
LOCAL TRANSPORTATION
- 2523 TRAINING
- 2581 CONVENIENCE CHECK FEE
- 1101 EMERGENCY SALARY PAYMENT

Most micro-purchases (\$2500 or less) will fall in the above categories.

**NOTE:** Spot Awards are no longer part of the "commonly used" list. As a result of the Office of Inspector General (OIG) audit of the Purchase Card Program, the Office of Procurement and Property Management (OPPM) has decided that convenience checks will no longer be permitted for use in issuing Spot Awards as of September 28, 2001. This change in policy will be reflected in the next revision of DR5013-6 and all related program documentation for the purchase card.



## Questions ? Problems ? Confusion ?

Cardholders should refer to their Agency Program Coordinator (APC)/Local Agency Program Coordinator (LAPC) for the Form 1099 process when contacted by vendors and/or recipients. For additional information, please contact the PCMS Team at (202) 690-3756.

